"This year's pipeline also includes AC Energy Philippines, Inc.'s stock rights offering of up to P5.38 billion and PH Resorts Group Holdings, Inc.'s estimated follow-on offering valued at P1.13 billion," Mr. Monzon said.

In the first half of 2020, the PSE said it raised a total capital of P20.83 billion, coming from one IPO, one follow-on offering, one stock rights offering and two private placements.

The PSE had originally set a capital raising target of P150 billion for this year, up more than 50% from the P95.22 billion capital it raised in 2019. In an interview with ANC last June, Mr. Monzon said the PSE has lowered this target to P100 billion.

BDO Capital's Mr. Francisco also noted private equity as another funding option.

"Local conglomerates… remain on the lookout for acquisitions to buy in companies needing more capital for expansion or if there is a good fit," he said.

DEBT MARKET

Besides bank financing, corporates can also tap the less-volatile debt capital market to augment their financing needs.

As of end-August, a total 24 corporate debt listings brought year-to-date amount to P295.03 billion, bringing the total tradable corporate debt instruments to P1.48 trillion issued by 55 companies, composed of 200 securities, data from Philippine Dealing & Exchange Corp. showed.

For BPI Capital Corp. President Rhoda A. Huang, tapping the debt market "continues to be a viable option" for local firms.

"Since the lifting of the [modified enhanced community quarantine] last June, BPI Capital has completed five Peso bond deals and three US Dollar bond deals. However, we have advised issuers that investors continue to require higher-risk premiums amid relatively low benchmark rates given uncertainties arising from the pandemic," Ms. Huang said.

Ms. Huang said BPI Capital has been encouraging Philippine issuers to consider longer-dated dollar bonds as well as alternative structures such as green, social, and sustainable bonds.

An example of these bonds was the Bank of the Philippine Islands' so-called COVID Action Response (CARE) bonds, in which proceeds will go towards supporting eligible micro, small, and medium enterprises. BPI Capital served as the sole selling agent for the bonds while The Hongkong and Shanghai Banking Corp. (HSBC) was a participating selling agent. BPI Capital and HSBC were the lead arrangers for the issue.

Moreover, auctions on the Treasury bills and bonds saw these papers were 3.6 and 2.7 times oversubscribed, respectively. Similar robust demand was observed in the secondary market with domestic yields moving lower by an average of 186.7 basis points compared to first-quarter levels, according to the PHP Bloomberg Valuation Service Reference Rates published on the Philippine Dealing System's website.

Market appetite was also observed in the sales of five-year retail Treasury bonds (RTBs). On Aug. 7, the Treasury ended the three-week public offer for the RTBs after it raised a record P516.3 billion, exceeding the P310 billion in three-year retail bonds sold in February.

State-run lenders Land Bank of the Philippines (LANDBANK) and the Development Bank of the Philippines (DBP) are the joint lead issue managers for the transaction. Other joint issue managers were BDO Capital, BPI Capital, China Bank Capital Corp., First Metro, PNB Capital, RCBC Capital Corp., SB Capital, and UnionBank of the Philippines, Inc.

OUTLOOK

Despite challenges surrounding the capital markets, market players maintain that there would still be room for capital-raising activities this year.

"BPI Capital does not foresee a significant drop in capital-raising transactions as companies continue to seek alternative funding sources for working capital requirements, capital expenditures, and refinancing transactions," BPI Capital's Ms. Huang said.

Even so, Ms. Huang said they might be a significant shift in the type of capital-raising transactions for the rest of the year.

"We anticipate more preference for debt and/or hybrid debt-type transactions as compared to 2019 when we had more deals in the project finance space. This will in turn affect the revenue source of the Bank as we continue to target higher revenues," she said.

BDO Capital's Mr. Francisco said there will still be bonds and loans but that it would be used more for refinancing.

"As rates are historically low, corporates will try to lock in these low rates and refinance. This is also why we are seeing an upsurge in US Dollar issuances as the coupon rates are attractive to Philippine companies who can hedge or have a US Dollar revenue source," he said.

For SB Capital: "Any shifting environment would always see investors instantly gravitate towards safe haven instruments, followed by a gradual opening up of risk appetites."

Still, SB Capital noted the single largest determinant to financial markets today to be the uncertainty, which "distorts pricing, business models, and appetites."

"[A]n effective vaccine would reimagine the current landscape, removing the need to price in, and account for, mass uncertainty," it said.

First Metro's Mr. Dumlao said that aside from the trajectory of the virus infection, other factors that would influence appetite for capital-raising include the policy response of governments to the health and economic crisis, potential credit rating downgrades for both sovereign and corporates, and the US elections and how it will shape US-China relations.

CONTENTS